

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION FROM)
THE RESIDENTS OF THE SHOUP AREA) **CASE NO. GNR-T-01-3**
REQUESTING EXTENDED AREA SERVICE)
INTO SALMON, IDAHO.) **ORDER NO. 29631**
)

On February 21, 2001, the Idaho Public Utilities Commission received a Petition from approximately 26 residents of the Shoup, Idaho area requesting toll-free extended area service (EAS) into Salmon, Idaho. Located in northern Lemhi County, the Shoup exchange is served by Rural Telephone Company and does not presently have toll-free calling to any other exchange. On April 3, 2001, the Commission issued a Notice of Petition and Intervention Deadline. Order No. 28694. Having concluded its investigation, Staff recommended approval of the Petition for EAS between the Shoup exchange and the Century Telephone exchanges of North Fork and Salmon. In its Notice of Modified Procedure and Comment Deadline issued October 13, 2004, the Commission sought comment on whether the EAS petition should be approved in light of the relatively modest rate increases it would require. Order No. 29613. The Commission received 20 comments from the public in addition to those filed by the Commission Staff. Based on the comments, the law and the record, the Commission grants the EAS Petition as described in greater detail below.

BACKGROUND

The Shoup exchange is served by Rural Telephone Company and is comprised of approximately 42 residential and 15 business telephone customers. There is presently local calling only within the exchange. Salmon is the county seat of Lemhi County and is served by CenturyTel of Idaho. CenturyTel has approximately 4,200 customers in Lemhi County and operates three adjoining exchanges with Salmon, North Fork and Leadore. The Salmon extended area exchange runs from Leadore to the Montana border and interconnects with the Shoup exchange approximately 22 miles north of Salmon. The petitioners have requested local calling with the North Fork and Salmon exchanges.

The petitioners allege that one of the many reasons they are requesting toll-free EAS to Salmon and North Fork is that it is prohibitively expensive for Shoup residents to dial outside

their exchange area to contact local physicians, the local medical facility, schools, social services, Internet providers, law enforcement, and emergency services.

PUBLIC COMMENTS

In response to its request for public input, the Commission received 20 comments: 17 in favor of the proposed EAS, one opposed the accompanying rate increase necessitated by EAS, and two comment forms that were signed but left blank. Of these 20 comments, two comments in favor of EAS were filed by out-of-area sportsmen from Preston, Idaho, and North Logan, Utah. No comments were received from Salmon residents.

The Commission received ten comments from North Fork customers located in the Shoup exchange, all of whom favored EAS into Salmon. One comment “overwhelmingly in favor of the IPUC approving this case” was in the form of a petition from a residential subdivision board and its 31 homeowner members located 13.5 miles downriver from North Fork. These homeowners were “willing to pay a reasonable rate increase” for toll-free status with the North Fork/Salmon exchanges so as to better conduct normal business, government, medical, law enforcement, and emergency matters. Comments from Rural Telephone North Fork customers in the Shoup exchange noted that every business and medical call is long distance and Internet access is prohibitively expensive. Several commenters run businesses out of their homes and indicated that long distance business calls to Salmon are quite costly under the present service arrangement. Although the base rate would increase, one North Fork customer on a fixed income indicated that EAS “would be a big help” and hopes “it can go through quickly.” Another customer thought service to North Fork and Salmon (“the shopping town”) should be without charge, but indicated that \$2.50 was better than no service – particularly “since satellite phones won’t work in these mountains.” Although in favor of the EAS petition, one customer/first responder wrote that North Fork customers in the Shoup exchange “have been paying more than their fair share since day one” for the service they receive and that it is wrong for them to have to pay long distance to call 911.

The Commission also received eight comments from Shoup residents – five in favor of EAS, one opposed, and two that signed comment forms but left them blank. A member of the Shoup quick response medical team indicated “each year we lose patients due to someone not being able to dial 911 for help without looking for money to put into the payphone or use a calling card.” Moreover, toll-free EAS would be a “tremendous plus” for shopping and doing

business in the major town of Salmon. The owners of a Shoup tree farm felt that the \$2.47 increase to their phone bill would be minimal compared to their long distance bill now. One Shoup resident who favored EAS wrote that he “would like to see free phone access provided to Salmon, Idaho as free access was provided by the old ground return phone line to this area years ago.” Other Shoup residents indicated that they have “been waiting for two years now to be able to get on the Internet.” The one commenter who was not interested in toll-free EAS into Salmon wrote that she is pleased with Rural Telephone service “as is” and uses a credit card for long distance service. Moreover, the rate increase would put stress on her budget.

STAFF COMMENTS

Staff comments explained Rural Telephone was granted authority in 1990 to expand its certificated area and provide telephone service in the Shoup area in Case No. RUR-T-89-1. Prior to that, residents of the Shoup area received telephone service from a single magneto-powered line which connected to the facilities of CenturyTel of Idaho at North Fork. The nature of this line required that CenturyTel have operators available to manually connect calls to and from the Shoup area.

Staff described Shoup as a community with many seasonal cabins and recreational businesses related to fishing and floating the adjacent Salmon River. Shoup has a small café which includes a post office and gasoline sales. There are two other small convenience stores in the area located several miles apart from each other. For services such as health care, government agencies, schools, churches, businesses and almost all shopping, Shoup residents must travel approximately 35 miles to Salmon. Staff is not aware of a school in the Shoup area. However, the county does maintain the road into Shoup throughout the year. Unlike Shoup, Salmon has at least one Internet Service Provider.

The most recent Shoup calling data collected in July 2004 indicates that most business customers and many residential customers call into Salmon frequently. For example, 86% of Shoup’s business customers made at least one phone call to Salmon during the month while over 60% of residential customers made at least one phone call to Salmon. During the study month, 21 out of 61 Shoup customers averaged three calls to Salmon while 18 Shoup customers averaged over 40 calls to Salmon. Calling data from May 2001 indicated similar calling volumes and distribution. In summary, it appears that one-third of Shoup customers

make no calls to Salmon, another third make a few calls to Salmon, and the last third of Shoup customers make many calls into Salmon in a given month.

Staff has received responses to production requests from both Rural Telephone Company and CenturyTel of Idaho regarding the costs associated with the proposed EAS. Rural Telephone has identified approximately \$7,000 in increased annual costs and CenturyTel has determined an approximate \$4,500 increase in annual costs if EAS is implemented. If EAS is approved, Staff noted that there are multiple options for recovering the related costs. For example, Rural Telephone's EAS-related costs could be recovered entirely from an increase in its Idaho USF draw or entirely from business and residential customers in Shoup, or some combination of the two.

Recommendation: Having concluded its investigation, Staff recommends approval of the Petition for EAS between the Shoup exchange and the exchanges of North Fork and Salmon. Staff believes many Shoup customers would benefit from the ability to call government, medical, community and Internet services without incurring toll charges and also believes EAS can be implemented economically.

Because Shoup customers would benefit from EAS, Staff believes it is reasonable to increase rates in Shoup to the same level that other Idaho customers pay where EAS has been implemented (\$24.10 residential and \$42.00 business). Remaining EAS costs can be off-set by increasing Rural's annual USF draw by approximately \$5,400. Therefore, Staff recommends that Rural Telephone's rates for Shoup customers be increased from \$21.63 per month for residential service to \$24.10 and from \$40.68 to \$42.00 for business service. In addition, Rural Telephone would increase its Idaho USF draw by approximately \$5,400 (1.7%) annually to cover its remaining EAS costs.

CenturyTel customers in Salmon and North Fork would also benefit from EAS to Shoup. Because CenturyTel is not an Idaho USF recipient, Staff recommends that CenturyTel's EAS costs be off-set by increasing the rates for customers in Salmon and North Fork from \$21.75 per month to \$21.84 for residential service and from \$39.77 per month to \$39.86 for business service. Staff indicated that it and the companies are in agreement regarding the submitted costs of EAS and the proposed rate increases.

COMMISSION FINDINGS

The Commission has reviewed the filings of record in Case No. GNR-T-01-3 including the Petition, the public comments and recommendations of the Commission Staff. Based on our review of the record, we continue to find it appropriate to process this case pursuant to Modified Procedure. IDAPA 31.01.01.204.

While EAS creates toll-free calling among exchanges, the costs associated with converting a former long-distance toll route to a toll-free EAS route must be recovered from all customers within those exchanges by increasing rates for local service. In Order No. 26311, the Commission adopted a set of standards or criteria to evaluate when EAS should be implemented. Those criteria are: call volume and call distribution (how many customers in an exchange call the other exchange); geographic proximity (distance between exchanges); the presence of geographic or other physical barriers (mountains, rivers, valleys) between exchanges; county seat relationship (are both exchanges in the same county); the relationship to school district (do both exchanges share the same school district); the proximity to medical facilities and services; and the willingness of customers to pay increased rates to cover the costs for converting those routes to toll free routes. The Commission traditionally balances these community-of-interest standards against the costs and rate impacts of providing EAS. When EAS costs are disproportionate to customer needs and benefits, the Commission has denied requests for EAS.

The Commission finds that Shoup has a strong community-of-interest with the Salmon and North Fork exchanges. We conclude that customers in these relatively isolated exchanges rely heavily on Salmon schools, businesses and medical facilities to provide most of the basic services customers use on a day-to-day basis but are not currently available without a toll call. As raised in the public comments, the Commission gives particular weight to the fact that EAS would facilitate toll free calling access to 911 by Shoup customers in an emergency. Toll free calling to the Salmon exchange will also provide customers with greater access to their county seat and to the Internet. Comparisons of Shoup's calling data to the EAS standards set out in Commission Order No. 26311 support those community-of-interests. We also note that commenters were generally aware of the rate increase that would be necessitated by EAS and were willing to pay it.

The Commission finds it is just and reasonable to charge Rural Telephone customers who receive the benefits of EAS more than the 125% of the statewide average just as other USF

companies charge. Therefore, the Commission finds that, based on the unique facts presented in this case, it is in the public interest to grant EAS for the Shoup exchange to call toll free into the Salmon and North Fork exchanges provided those customers' rates are raised to \$24.10 per month for residential service and \$42 per month for business service. The Commission further finds that no measured rate should be offered because the revenue implications are not known.

The Commission is mindful of the fact that the USF is funded in whole by surcharges paid by all telephone customers. Based on the strong community-of-interest demonstrated by Shoup, North Fork and Salmon, however, the Commission finds that it is in the public interest to support EAS for these exchanges in part by increased distributions from USF. The Commission further finds the proposed \$.09 rate increase for CenturyTel¹ customers in Salmon and North Fork to \$21.84 for residential service and \$39.86 for business service is reasonable.

It is the Commission's understanding that Rural Telephone and CenturyTel can implement this EAS electronically in a two-month time period without having to install significant physical plant. We direct the companies to advise us of the cut-over dates within 14 days of this Order.

ORDER

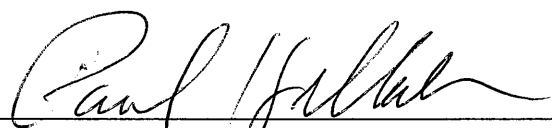
IT IS HEREBY ORDERED that the Petition requesting EAS between the Shoup exchange and the Salmon and North Fork exchanges is granted.

IT IS FURTHER ORDERED that Rural Telephone Company and CenturyTel of Idaho take the necessary actions to implement EAS, including updating their tariffs, as authorized by this Order. The parties shall advise us of the cut-over dates within 14 days of the service date of this Order.

THIS IS A FINAL ORDER. Any person interested in this Order or in interlocutory Orders previously issued in this case may petition for reconsideration within twenty-one (21) days of the service date of this Order with regard to any matter decided in this Order or in interlocutory Orders previously issued in this case. Within seven (7) days after any person has petitioned for reconsideration, any other person may cross-petition for reconsideration. *See Idaho Code § 61-626.*

¹ CenturyTel is not an Idaho USF recipient.

DONE by Order of the Idaho Public Utilities Commission at Boise, Idaho, this 12th
day of November 2004.



PAUL KJELLANDER, PRESIDENT

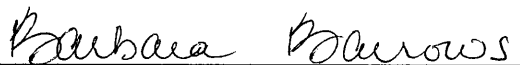


MARSHA H. SMITH, COMMISSIONER



DENNIS S. HANSEN, COMMISSIONER

ATTEST:



Barbara Barrows
Assistant Commission Secretary

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